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Message Text

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ACTION ARA-14

INFO OCT-01 EA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /141 W
----------121424 140419Z /70
R 131230Z APR 78
FM AMCONSUL RIO DE JANEIRO
TO SECSTATE WASHDC 6116
INFO AMEMBASSY BRASILIA
AMCONSUL SAO PAULO
AMEMBASSY PEKING

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E.O. 11652: N/A
TAGS: EMIN, BR
SUBJECT: CVRD PRESIDENT RESIGNS

REF. A) RIO 1348 B) BRASILIA 2276

1. SUMMARY. FERNANDO ROQUETTE REIS, PRESIDENT OF BRAZIL'S (AND WORLD'S) LARGEST MINING COMPANY, COMPANHIA VALE DO RIO DOCE (CVRD), SUBMITTED HIS RESIGNATION ON APRIL 7TH. ROQUETTE REIS' RESIGNATION CAME ONE WEEK AFTER CRUCIAL MEETING WITH MINISTER OF MINES AND ENERGY UEKI, AT WHICH RANGE OF CVRD PROBLEMS WERE REPORTEDLY DISCUSSED IN "TENSE" ATMOSPHERE. NEW CVRD PRESIDENT IS JOEL MENDES RENNO, 39 YEAR OLD ELECTRICAL AND MECHANICAL ENGINEER WHO HAS WORKED CLOSELY WITH UEKI (AS SPECIAL TECHNICAL ADVISOR) SINCE 1975. IN FIRST PUBLIC STATEMENT, RENNO INDICATED THAT PRESENT CVRD COMMERCIAL POLICY WOULD BE RETAINED, NOTING THAT ACTIVE SEARCH FOR NEW IRON ORE EXPORT MARKETS WAS INTEGRAL PART OF THAT POLICY.
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END SUMMARY.

2. BACKGROUND AND COMMENTS: BEGIN LIMITED OFFICIAL USE. ROQUETTE REIS' RESIGNATION MAY HAVE BEEN DEMANDED BY UEKI AT 4/7 MEETING, WHICH WAS BELIEVED TO HAVE BEEN ACRIMONIOUS. MEETING FOLLOWED

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RECENT - AND PUBLIC - ROQUETTE/UEKI CONTROVERSY OVER EXTENT OF RIO GRANDE DO NORTE (CAICO) IRON ORE RESERVES (REF. A), WHICH REPORTEDLY WAS "LAST STRAW" FOR UEKI.

3. SINCE ROQUETTE'S ASSUMPTION OF CVRD'S PRESIDENCY, IN MARCH 1974, HIS RELATIONS WITH UEKI HAVE NEVER BEEN PARTICULARLY HARMONIOUS. OVER LAST THREE YEARS, FOLLOWING FACTORS HAVE CONTRIBUTED TO FURTHER SOURING RELATIONSHIP: INTERNAL ADMINISTRATIVE PROBLEMS WITHIN CVRD; ROQUETTE'S APPARENT INABILITY TO DIVERSIFY -- AND EXPAND -- COMPANY'S IRON ORE EXPORTS SUFFICIENTLY TO SATISFY UEKI; EXPORT POLICY DISAGREEMENT (I.E. UEKI IN FAVOR OF MORE COMPLICATED PACKAGE/BARTER DEALS, ROQUETTE PRIMARILY INTERESTED IN IRON ORE EXPORT SALES PER SE); AND AN OVERALL CVRD/ROQUETTE REIS DISSATISFACTION WITH FEDERAL GOVERNMENT'S DEGREE OF INTEREST IN MINING SECTOR GENERALLY -- AND COMPANY'S GIANT (AND POSTPONED) DARAJAS PROJECT IN PARTICULAR. IN ADDITION, RECESSED STATE OF WORLD'S STEEL INDUSTRY MADE ROQUETTE REIS' JOB INCREASINGLY ARDUOUS, VIRTUALLY FROM THE BEGINNING OF HIS MANDATE. FURTHER, CVRD PRESIDENT'S BLUNT MANNER AND REPORTED ADMINISTRATIVE WEAKNESSES TENDED TO MAGNIFY HIS DIFFICULTIES IN WHAT WAS, AT BEST OF TIMES, A DEMANDING POSITION.

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4. ROQUETTE'S CAICO COMMENTS (REF. A), THE PROXIMATE PROBABLE CAUSE OF HIS RESIGNATION, CAN BE INTERPRETED EITHER AS AN ATTEMPT TO STRENGTHEN HIS POSITION VIS-A-VIS UEKI AT A TIME WHEN LATTER WAS SUFFERING FROM BP SANTOS CONTROVERSY (REF B), OR AS A SPUR-OF-THE-MOMENT INDISCRETION.BEST GUESS IS THAT BOTH ELEMENTS WERE INVOLVED, WITH BASIC REIS PERSONALITY (FRANK, SOMETIMES INDISCREET) AND INCREASINGLY NEGATIVE DISPOSITION TOWARD UEKI LEADING TO REMARKS WHICH SPARKED CONTROVERSY.

5. IN ANY EVENT, UEKI, WHO NO DOUBT FELT COMPELLED TO ACT AFTER ROQUETTE REIS HAD "GONE PUBLIC", COMES OUT OF DISPUTE IN A STRENGTHENED POSITION. HOWEVER, WITH HIS MAN NOW IN CONTROL OF COMPANY (AT LEAST UNTIL THE NEXT ADMINISTRATION), UEKI IS IN A MORE EXPOSED POSITION: I.E., IF CVRD CANNOT DO "BETTER", ESPECIALLY IN LOCATING NEW OVERSEAS MARKETS FOR ITS IRON ORE, UEKI AND HIS HANDPICKED CVRD PRESIDENT (RENNO) WILL BE LIKELY TARGETS FOR CRITICISM, BOTH FROM WITHIN GOVERNMENT AS WELL AS PRIVATE SECTOR.

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6. ROQUETTE REIS' RESIGNATION, AND SUBSEQUENT RENNO
TAKEOVER, SHOULD LEAD TO A GREATER CVRD/GOB FOCUS
ON "PACKAGE" DEALS IN MINERALS AREA,
EXPORTS OF BRAZILIAN IRON ORE (AND OTHER COMMODITIES/
PRODUCTS) TO IMPORTS OF A VARIETY OF COMMODITIES, WITH A LIKELY
EMPHASIS ON METALLURGICAL COAL AND OIL. (A POSSIBLE
SUCH AGREEMENT WITH THE PRC IS REPORTEDLY BEING
SOUGHT BY THE BRAZILIANS.) HOWEVER, RENNO'S PROSPECTS
FOR REJUVENATING CVRD, IN ORDER TO SHOW DRAMATIC RESULTS
OVER THE NEAR TERM, ARE SLIM, PROBABLY DEPENDING MORE
ON CONDITIONS IN THE WORLD'S STEEL INDUSTRY THAN ON
HIS REPORTED ADMINISTRATIVE AND MANAGEMENT SKILLS.
IF CONDITIONS IMPROVE ON OVERSEAS MARKETS, CVRD WILL
NO DOUBT BE ABLE TO INCREASE ITS STAGNATING IRON ORE
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EXPORTS; IF NOT, THE COMPANY IS UNLIKELY TO MARKEDLY
IMPROVE ITS CURRENT POSITION, IN SPITE OF NEW PRESIDENT'S
BEST EFFORTS.

7. EMBASSY CONCURS.
DEXTER

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